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CO-OPERATION IN INTRA-AFRICAN TRADE DEVELOPMENT WITH SPECIAL REFERENCE TO MULPOCS AND OTHER SUBREGIONAL GROUPINGS

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Co-operation in Intra-African Trade Development [Agenda item 6(b)]

(i) Eastern and Southern African Subregion

a) Progress Report on the Preferential Trade Area (PTA) for Eastern and Southern African States

1. The PTA Treaty was signed in December 1981, and entered into force on 30 September 1982, when the 7th member State deposited its instrument of ratification with the ECA secretariat. By mid-1983 14 member States had signed the Treaty while 10 member States ratified it. The PTA Treaty was signed by the following countries of Eastern and Southern Africa; Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Somalia, Swaziland, Uganda, Zambia and Zimbabwe, together with two neighbouring countries of the subregion, i.e. Burundi and Rwanda.

2. During the period following the signature of the PTA Treaty and the establishment of PTA, the ECA Secretariat acted as Interim Secretariat from January to December 1982 in accordance with the decision of the Summit Conference of the Heads of State and Government of Eastern and Southern African States held in Lusaka in December 1982. A full report on the activities of the PTA during that period was submitted by the ECA Executive Secretary to the second meeting of the Council of Ministers held in Lusaka, 14-15 December 1982 (Document ECA/MULPOC/Lusaka PTA/CM/11/10).

3. The Interim Secretariat drew up a Work Programme and Management Plan for the year 1982 which was approved by the first meeting of the Council of Ministers held in Lusaka from 22-25 June, 1982. In accordance with the Work Programme, the ECA in collaboration with the African Centre for monetary studies, the West African Clearing House and International Monetary Fund, drafted the rules and regulations for the operations of the PTA Clearing House. The Governors of the Central Banks of the subregion reviewed these rules and regulations at their meeting held in Kigali, Rwanda from 26 - 27 August 1982 and referred them to the inaugural meeting of the PTA Clearing and Payments Committee for consideration and adoption. The inaugural meeting of the PTA Clearing and Payments Committee held in Lusaka from 1 - 4 November 1982 adopted the above rules and regulations with some amendments.

4. The Draft Statute of the Tribunal of the PTA was also prepared and submitted to the Third Meeting of Attorneys-general or their Senior Representatives held in Lusaka from 29 March to 2 April, 1982. The adopted text was published in the first official Gazette of the PTA which also became the first enactment of the Preferential Trade Area of Eastern and Southern African States.

5. The activities of the PTA Policy Organs started with the first meeting of the PTA Intergovernmental Commission of Exports, a body created to "oversee the implementation of the provisions" of the PTA Treaty held in Lusaka from 14-19 June 1982, which was preceded the first Meeting of the PTA Council of Ministers held in Lusaka from 22-25 June 1982. The Council of Ministers approved the list of subjects for priority action during the period August-December 1982, along

with the time schedule for the Technical Committees' meetings. It also took an important decision with regard to the Protocol on Botswana, Lesotho and Swaziland, and reached an agreement on the PTA budget for the year covering January-December 1983. During the same meeting, the PTA Council of Ministers adopted Job Descriptions for the PTA Secretary-General and other core staff.

6. The PTA Technical Committees took place in Lusaka from 25 October to November 1982. The rules of procedures, the term of reference and work programmes were considered and adopted at the joint meeting of all the PTA Technical Committees.

7. The Customs and Trade Committee discussed proposals by the Interim Secretariat for the improvement of the common list in preparation for the forthcoming negotiations on commodities, as well as related customs matters. Agreements were reached on all matters considered to be of importance at that stage.

8. The Committee on Agricultural Co-operation discussed a number of issues relating, inter-alia to the establishment and management of national and subregional food security, harmonization of agricultural policies which was considered to be most urgent, establishment of a subregional maize research and distribution centre and joint efforts in the field of research and training.

9. The Committee on Industrial Co-operation discussed the following substantive issues:

1) rationalization of industrial co-operation

2) review of on-going projects and programmes and choice of priorities for the PTA

3) draft charter on multinational enterprises

4) the concepts, objectives and priorities of the Industrial Development Decade for Africa and,

5) mechanisms for promotion of industrial development.

10. The PTA Technical Sub-Committee on Transport reviewed the major issues related to multimodal transport, road transport, air transport, rail transport, inland water transport, maritime transport and ports. Bearing in mind its terms of reference and priorities, the Sub-committee adopted a number of useful recommendations for action.

11. The Technical Sub-Committee on Communications examined the substantive issues such as: harmonization of existing telecommunications tariffs, relations between PTA Transport and Communications Committee and PANAFTEL Technical Committee, harmonization of postal tariffs in the PTA countries and adopted recommendations covering all the above fields.

12. The PTA Council of Ministers held its second meeting in Lusaka, Zambia. from 14-15 December 1982, followed by the First Meeting of the Authority of Heads of State and Government of the Preferential Trade Area from 16 to 17 December 1982. His Excellency Dr. Kenneth David Kaunda was unanimously elected Chairman of the Authority for the period December 1982 to December 1983. During these two meetings of the highest PTA Policy Organs, a number of decisions essential for the functioning of the PTA were adopted.

13. Among the decisions of the First Meeting of the PTA Authority were:

(1) The appointment of Mr. S.M. Kiingi of Uganda, as Secretary-General of the Preferential Trade Area.

(2) The prescription by the PTA Authority, of the Preferential Trade Area, of the Statute of the Tribunal of the Preferential Trade area.

(3) The establishment of the procedures for the dissemination of the decisions and directions as well as those of the Council of Ministers of the Preferential Trade Area. In this respect, the Chairman of the Authority signed the following orders on behalf of the Authority.

(i) The Signification and Publication of Acts Order, 1982; and

(ii) The Signification and Publication of Decisions Order, 1982.

14. With the recruitment of the Secretary-General and the core staff, the PTA Secretariat became operational on 1 January 1983. In accordance with the PTA work plan, the Customs and Trade Committee met in Lusaka from 11 to 19 July 1983. Among the substantive issues which the meeting discussed were the finalization of the Common List to facilitate negotiations on the actual reduction of tariff and non-tariff barriers to trade, the preparation for the product-by-product negotiations and arrangements for the implementation of the protocol on Customs Co-operation and the relevant provisions of the Treaty.

15. The Committee finalized at its level the Common List of commodities to be traded among member States after having incorporated new information and additional items to the Common List and classified the commodities into six groups under the CCCN tariff headings. Further, the Committee agreed that at this stage there was no need for negotiation on the reduction of tariff and non-tariff barriers on a product-by product basis. Therefore, the commodities appearing on the Common List will automatically be subject to tariff reduction by percentages contained in Article 4 para. 2 of the Protocol on Reduction and Elimination of Trade Barriers provided they satisfy the requirements set out by the Protocol on Rules of Origin.

16. Concerning the arrangements for the implementation of the Protocol on Customs co-operation, the Committee referred it to a meeting of a specizlized sub-committee, which will be convened at an appropriate date.

b) Progress Report on the Establishment of an Agricultural Commodity Exchange for Eastern and Southern Africa

17. The ECA Conference of Ministers at its fifth meeting held at Rabat in 1979 adopted a decision on the establishment of agricultural and non-agricultural commodity exchanges in Africa. Subsequently, the African Heads of State and Government attached great importance to this project as part of the Lagos Plan of Action.

18. In accordance with the above decisions, the ECA secretariat was mandated by the Lusaka-based MULPOC to carry out a feasibility study on the establishment of an agricultural commodity exchange for Eastern and Southern Africa.

19. As a first step, detailed terms of reference for the above feasibility study were prepared. It was decided that the feasibility study should cover all the countries of the subregion and involve an assessment of the general economic features of the subregion with particular reference to the existing and potential level of production and trade in agricultural commodities. It was also found necessary to assess the need for establishing the proposed agricutural commodity exchange and to determine the most practical approach and strategy to be followed in its establishment.

20. Consultants were recruited to undertake the required desk studies. Thereafter, further field missions were undertaken with a view to collecting data and information as well as to holding consultation with existing institutions inside and outside Africa.

21. Based on the above desk study and field missions, a complete technical report on the establishment of the proposed commodity exchange was finalized and submitted for consideration by the fifth meeting of the Lusaka-based MULPOC Council of Ministers which took place in Lusaka, Zambia from 23 - 25 March 1982. The Council of Ministers took note of the feasibility study and agreed that the findings and recommendations of the study should be scrutinized by an inter-governmental group of experts and that the views of the experts should be submitted to the sixth meeting of the Council of Ministers for its consideration and appropriate decision. The MULPOC Council of Ministers endorsed the recommendations of the study and taking into account the highly technical nature of the subject matter, requested ECA to prepare a further in-depth study on the operational aspects of commodity exchanges and report back to the Council of Ministers at their next meeting which is tentatively scheduled to be held in Nairobi, Kenya sometime during the first half of 1984.

22. In compliance with the decisions of the Council of Ministers, preparations are currently under way for undertaking all the required studies related to the operational aspects of commodity exchanges. These technical studies are intended to be submitted to the forthcoming meeting of the Lusaka-based MULPOC Council of Ministers scheduled to take place in Nairobi, Kenya as indicated above.

23. One of the major obstacles hampering the full implementation of this project is the lack of resources. Existing resources available under the Algerian Grant will be exhausted by the end of this year. Additional resources would be required to convene the meetings of experts and for preparing reports on the implementation of the decisions of the Council of Ministers. It is also necessary to organize seminars and workshops for managers and senior staffs as well as private and public users of the exchange in order to acquaint them with the technical and various other aspects of the working of the commodity exchange.

(ii) Central African Subregion

24. At their summit conference held in Libreville in December 1981, the Heads of State and Government of the Central African Customs and Economic Union (UDEAC) together with those of Chad, Equatorial Guinea, Sao Tome and Principe, Burundi, Rwanda, Zaire and Angola committed themselves to the creation of an Economic Community of Central African States in a solemn Declaration known as the "Libreville Declaration". To this end, they charged their Ministers responsible for economic development to meet and discuss the modalities for the establishment of the proposed Economic Community, and entrusted jointly to ECA and OAU the task of assisting them in carrying out the necessary negotiations for this purpose.

25. Accordingly, the joint ECA/OAU Secretariat prepared a draft Treaty and a number of Protocols including those on rules of origin, re-export of goods within the Community, transit trade and transit facilities, compensation for loss of revenue, clearing and payments arrangements, customs co-operation, harmonization of trade documents and procedures, co-operation in agricultural development, co-operation in industrial development, transport and communications, natural resources, energy and science and technology etc.

26. At its first meeting, held in Libreville in February 1982, the "Ad Hoc Committee of Experts" set up to conduct negotiations on the creation of the proposed Economic Community of Central African States, took note of the draft Treaty and Protocols, discussed modalities of the negotiations but postponed substantive discussion on them since a number of delegations did not receive full instructions from their Governments. In addition, the Ad Hoc Committee requested the joint ECA/OAU Secretariat to prepare individual economic profiles of Central African states and a synthesis of the economic and social conditions of these countries so as to enhance their understanding and knowledge of the economy of the other member countries as a means of facilitating the smooth progress of negotiations. The studies were completed and distributed to the countries concerned as requested.

27. At its second meeting held in Libreville in May 1982, the Ad Hoc Committee of Experts again requested ECA to study comprehensively the implications and impact of the integration arrangements as stipulated in the proposed ECCAS Treaty on the economy of each prospective member State - country by country and sector by sector - as well as on the economy of the subregion as a whole. The study outlined the potential benefits that each country could derive from participation in the co-operative arrangements in terms of production capability, expanded market, enhanced purchasing power and increased revenue. It recommended, among other things, that co-operation arrangements be extended to as many sectors as possible aso as to maximize the benefits therefrom.

28. At its second meeting, held in Libreville in November 1982, the Council of Ministers of Central African States adopted twelve Protocols and the Treaty. On the basis of observations and comments made by the negotiators at previous meetings, the Joint ECA/OAU Secretariat revised the drafting of the following Protocols for consideration at its next meeting: the clearing and payments arrangements, compensation fund for loss of revenue, simplication and harmonization of trade documents and procedures, non-tariff barriers to trade and the statute of the Co-operation and Development Fund.

29. At its third meeting held in Libreville in May 1983, the Council of Ministers of Central African States, which was preceded by the fourth meeting of the "Ad Hoc Committee of Experts" concluded negotiations on the following Protocols: Compensation Fund for loss of revenue; free movement of goods and persons; clearing house; simplification and harmonization of trade documents and procedures; non-tariff barriers to trade; and the special situation of land-locked, islands, partly islands, partly land-locked and/or belonging to the category of Least Developed Countries (LDCs). The Council of Ministers also resolved outstanding issues relating to:

1) The elimination or maintenance of fiscal duties at customs union stage of the Community. Taking into account the importance of these duties for national budgets, the meeting decided that they will continue to subsist beyond the customs union stage.

2) Percentage of equity share holding for originating products. Although the need was recognized for deriving maximum benefit from investments in the subregion, the meeting decided to adopt 30% as a first step.

3) Sanctions in case of failure to comply with the text of the Treaty. It has been decided that the Conference of Heads of State and Government will study the matter and take appropriate measures on a case-by-case basis.

4) Modalities for the establishment of the proposed Economic Community. After a long discussions, the Council decided that the Community would be established progressively over a period of 12 years subdivided into three phases of 4 years each as follows:

   - phase I; A stand-still period for the maintenance of fiscal and customs duties and for the preparation for reduction of tariff and non-tariff barriers to trade.

   - phase II: Creation of a Free Trade Area.

   - phase III: Establishment of a Customs Union (including the adoption of a common external tariff).

30. The Council of Ministers decided also on the creation of an Ad Hoc Committee of Attorneys-General with the mandate of reviewing and polishing the texts of the Treaty and Protocols. The Ad Hoc Committee met in Addis Ababa and completed its work at the end of July 1983. It is expected that the Treaty establishing the Economic Community of Central African States will be signed in Libreville in October 1983.

(iii) West African Subregion

Progress Report on the Harmonization of Trade Liberalization Programmes of Economic Community of West African States (ECOWAS), Communanti Economique des Etats de d'Afrique de l'Oust (CEAO) and the Mano River Union, March 1982 to October 1983

31. Negotiations on the trade liberalization programmes of ECOWAS, CEAO/MRU continued during the period under review and some achievements were made. For instance, the fifth co-ordinating meeting of experts and fourth meeting of Chief Executives of the three organizations were held in 1982, and the fifth meeting of Chief Executives of the three organizations was held in March 1983.

32. During the fifth Co-ordinating Meeting of Experts, which took place in Lome, Togo, from 12 - 25 July 1982, the following decisions were taken.

(i) It was unanimously agreed that the establishment of a customs union should be the long-term objective of the subregion. Since this system involves total tariff liberalization in the long-run, the meeting pointed out the inadequacies of the proposed compensation for customs revenue losses, especially loss of revenue in respect of the less developed members of the subregion, and suggested supporting measures which should be implemented to rectify economic disparities existing among countries of the subregion.

Among the supporting measures recommended were:

a) Formulation and implementation of a coherent industrial development policy for the region, which would take into consideration the needs of the industrially less advanced countries of the subregion.

b) A solution to the excessive dependence of member States on customs revenue for financing their national budgets; and

c) Formulation and adoption of measures to alleviate balance of payments difficulties of member States and to solve the problem of their external indebtedness.

(ii) The proposal of three alternative approaches for the inclusion of the indigenous capital ownership requirement as one of the conditions for the definition of products originating in member States.

(iii) Two alternative trade liberalization systems were proposed for consideration by the meeting of Chief Executives, in the light of the agreed objectives of a custom union.

(iv) A recommendation to the effect that a part of the budget for the compensation of loss of revenue resulting from intra-area trade be retained for the development of the less developed members of the subregion.

33. The fourth meeting of chief executives of ECOWAS, CEAO and MRU, which took place in Cotonou, Republic of Benin, from to 25 - 26 October 1982, discussed among other things, the report of Experts and accepted their recommendations on the objectives of the subregional economic integration system and agreed on the implementation of the supporting measures for trade liberalization. Moreover, the meeting adopted the indigenous capital ownership requirement as part of the originating conditions for industrial products as follows:

May 1983 indigenous capital ownership requirement will be 20%

May 1986 indigenous capital ownership requirement will be 40%

May 1989 indigenous capital ownership requirement will be 51%

34. The meeting also agreed to set up a team of experts from the three organizations, to undertake a study on the establishment of a uniform trade liberalization system for the subregion.

35. The fifth meeting of the Chief Executives of CEAO, ECOWAS and MRU took place in Ouagadougou, Upper Volta, in March 1983 and considered the report of the fifth meeting of experts and adopted in with some amendments. It was agreed to submit their findings to their respective policy organs and meet at a later date on the matter.

(iv) North African Subregion

36. In accordance with the decision of the meeting of the Council of Plenipotentiaries of North African MULPOC held in 1981, a study on the promotion of intra-subregional trade was prepared and submitted to the Committee of Experts which met in December 1981. The main recommendations of the study dealt with the removal of trade barriers and the extension of North African trade to the other four African subregions.

37. The study was reviewed at the second meeting of the Council of Plenipotentiaries which was held in Tangiers in March 1983. The meeting noted that one of the major obstacles to trade was the lack of products to be traded, mainly in the field of agricultrural products such as cereals, oilseeds and meat. The meeting also was of the view that transport facilities constituted a major obstacle. The meeting therefore, recommended that the development of intra-subregional trade should be given priority over inter-subregional trade and that a further study and analysis based on previous studies should be undertaken with a view to identifying concrete proposals for co-operation in specific sectors and products.

38. The Committee of Experts of the North African MULPOC held in Tangiers from 17 to 20 March 1983 took note of the study and added that lack of export financing schemes, along with customs barriers constitute serious obstacles to the expansion of the intra-subregional trade. The meeting observed also that it was necessary to prepare a comprehensive list of products likely to be traded and that bilateral arrangements should be worked out to promote intra-subregional trade.

39. The Council of Plenipotentiaries of the North African subregion endorsed the recommendations of the Committee of Experts at its meeting held from 21 to 22 March 1983. The meeting further recommended the exploration of long and medium-term possibilities of developing through joint bilateral or multilateral ventures, the potential in agricultural products to be identified in Sudan with specific reference to animal products and by-products.

40. Furthermore, recognizing the importance of the need for developing Afro-Arab Co-operation, the Council of Plenipotentiaries of the North African Subregion endorsed fully the project on the development and expansion of Afro-Arab Co-operation in trade and finance and urged Governments and UNDP to provide financial and other support to the project.